

Atmanirbhar Bharat vs Global Integration: Reconciling India's Trade Ambitions

By Pragati Joshi

The COVID-19 induced lockdown served as a grim reminder of the unemployment crisis in our economy. It exposed the structural vulnerabilities of our nation. Millions of migrant workers fought for their survival and faced mass displacement. They had to choose between staying in the city that provided them with daily wage work and returning to their villages where there was a lack of employment opportunities. The painful images of workers walking hundreds of kilometres back to their villages revealed the fragility of India's labour market and the limited capacity of the economy to absorb shocks.



Indian migrant workers during the COVID-19 pandemic

Source: Al Jazeera

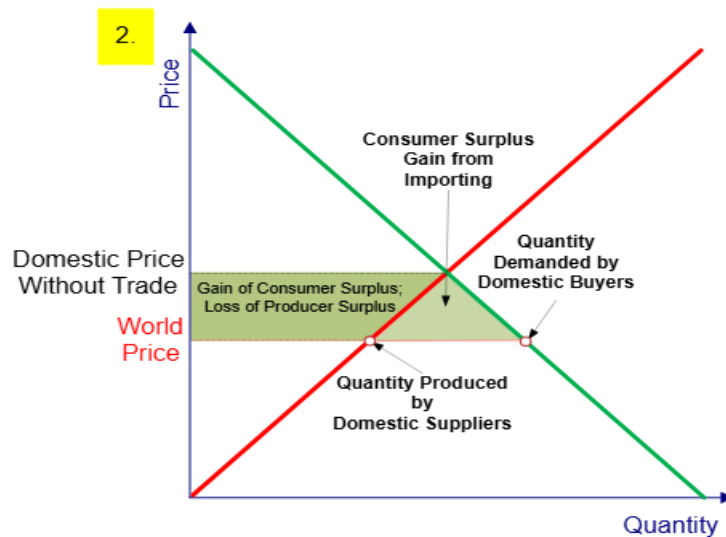
The crisis forced policymakers and citizens alike to reflect on India's growth model. In the backdrop of this crisis, the Government launched its initiative of "Atmanirbhar Bharat". The objective was to create a "self-reliant" economy that can thrive by optimising its own endowments- its labour force, natural resources, and growing technological capabilities. Unlike the inward-looking policies of the post-independence period, Atmanirbhar Bharat was a framework that aimed to strengthen the domestic economy while remaining connected to global markets. It was meant to make sectors like manufacturing, technology and defense more resilient.

To achieve these goals, the government introduced a series of policy measures. This included providing stimulus to export-oriented units (EOUs) that could produce for the purpose of generating export revenue. EOUs enjoy several benefits like subsidies and exemption from custom duties on imported capital goods. Furthermore, the Government launched a production linked incentive scheme across 13 sectors. They also announced Rs. 3 lakh crore collateral-free automatic loans for businesses, including MSMEs (Press Information Bureau 2020).



Source: Drishti IAS

The emphasis on self-reliance inevitably raised questions about India's long-standing commitment to global integration. Since the liberalisation reforms of 1991, India has gradually opened its economy to international trade, foreign investment, and capital flows. Most economists agree that trade is not a zero-sum game. By engaging in international trade, consumers benefit from greater product variety as well as lower prices. Moreover, increased competition from foreign producers pushes domestic firms to improve their productivity. We can export goods that we have a comparative cost advantage in and import goods that cannot be produced very efficiently in our domestic economy. Moreover, developing nations can import foreign technology and then create their own. Sustained economic growth requires us to invest in research and development of new ideas and technologies. These were some of the factors taken into consideration when Manmohan Singh opened up the economy in the 1990s.

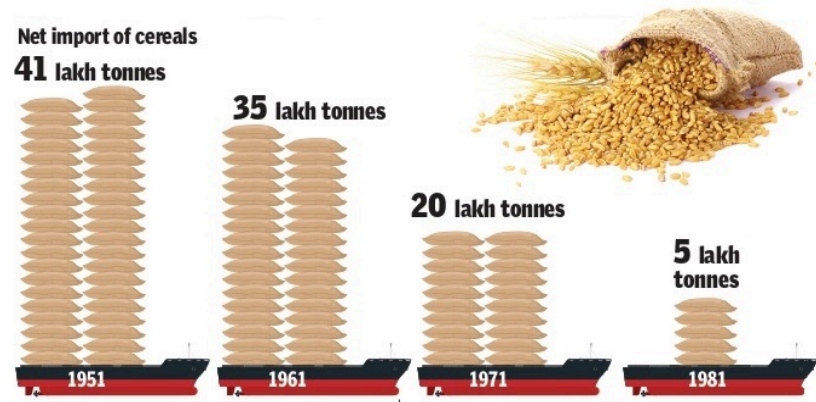


International trade results in lower prices paid by the consumers

Source: This Matter

India's experience after liberalisation further supports this view. The opening up of the economy led to higher growth rates, expansion of the service sector and increased foreign investment. Export-oriented industries such as IT services and pharmaceuticals benefited immensely from global demand. These outcomes reinforced the belief that integration with the global economy was necessary for development. Yet, the pandemic revealed the risks of excessive dependence on global supply chains, especially for essential goods and critical inputs.

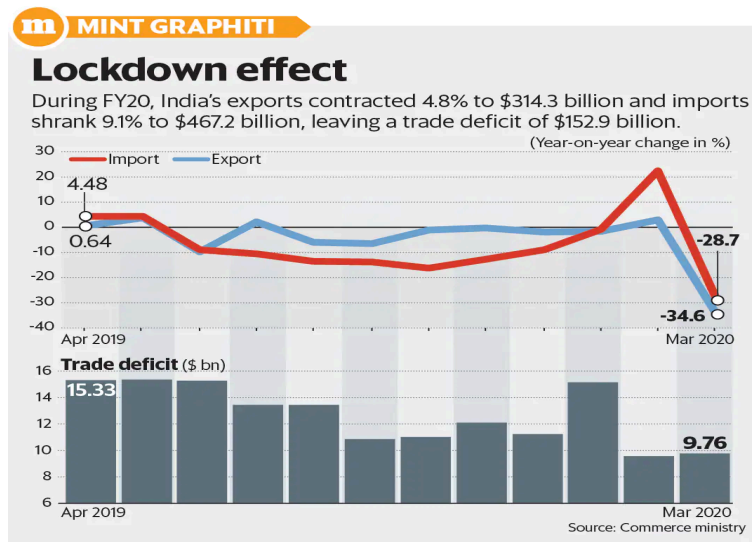
Historical experience also explains why self-reliance continues to resonate strongly in India's economic discourse. After India was drained of all its wealth by the imperialists, economic recovery seemed like a Herculean task. Although agriculture accounted for over 50% of our GDP, productivity was abysmally low and food shortages were widespread. The situation was so dire that we had to import food grains to feed the population. In the 1960s, we ushered in the Green Revolution that was greatly successful in achieving food security. Its stellar performance showed how state intervention, technological adoption, and domestic capacity-building could achieve food security. This is a very strong argument in favor of self-reliance.



India's imports of cereals post-independence

Source: *The Times of a Better India*

In the current global context, the case for self-reliance has been further strengthened by geopolitical uncertainties. Trade wars, sanctions, and disruptions caused by conflicts highlight the fragility of interconnected economies. United States' President Trump's unprecedented tariff policy and the uncertain geopolitical climate in his regime has made it clear that trade imbalance becomes a serious problem when international disputes emerge between countries. Foreign dependence, particularly for defense equipment, can be a threat to national security. Core industries like iron and steel are also pivotal to an economy as they provide raw material and are used to manufacture a variety of goods. An economy must have a strong industrial base of its own if it is to compete with its counterparts in the global market.



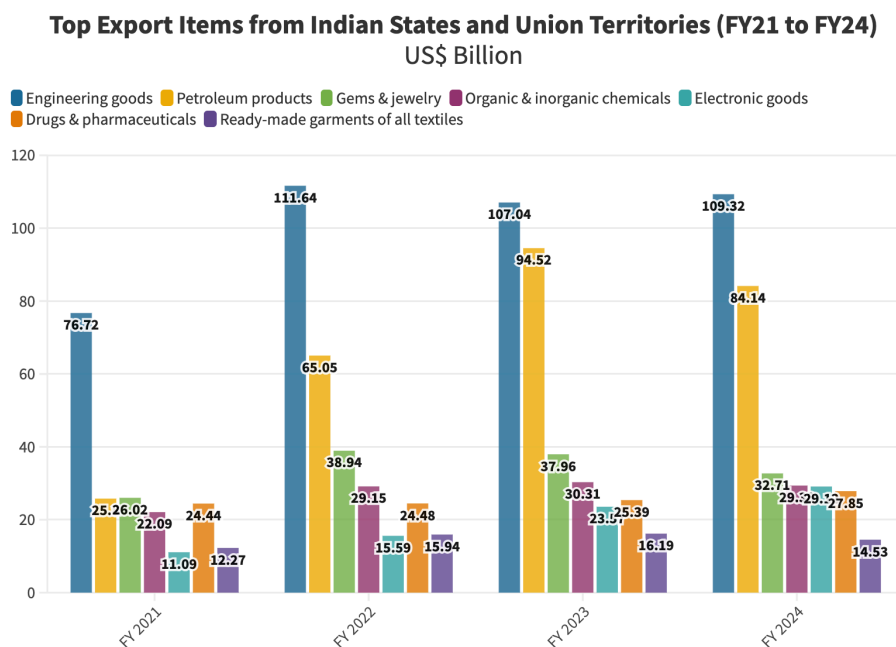
The Government promoted self-reliance to strengthen the economy and create jobs during the pandemic

Source: *Live Mint*

Global integration is a double-edged sword. It is a tool that must be used judiciously. Over-integration can expose an economy to external shocks, while excessive protectionism can lead to inefficiency, rent-seeking, and technological stagnation. The challenge for India lies in striking the right balance—leveraging global markets to achieve efficiency and scale, while ensuring resilience in critical sectors. We must not be over-dependent on other countries to meet our essential needs. We should be able to pay our debts and maintain a current account surplus, which reflects that export earnings exceed our expenditure on imports.

India has run current-account deficits in the past few years. In Q1 FY26, the CAD was 0.2% of GDP, an improvement from 0.9% in the previous year (India Macro Indicators 2026). The full-year CAD for this financial year is expected to widen, possibly between 1.0% and 1.3% of GDP. For a fast-growing economy, a deficit is not necessarily problematic, as imports of capital goods and energy are needed to boost growth. However, persistently high deficits can put pressure on the rupee, worsen inflation, and increase vulnerability. This makes it difficult to achieve growth in a sustainable way. We must try to minimize our CAD, even if we don't have a surplus. Reducing excessive import dependence while boosting exports therefore remains a key policy objective.

Through Atmanirbhar Bharat, the focus of the Government has been to establish India's global manufacturing leadership. According to data from the Annual Survey of Industries, Gross Value Added grew by 11.89% in current prices in the year 2023-24 over previous year. Industrial output grew by more than 5.80% and total estimated employment in this sector showed a robust growth of 5.92% (Press Information Bureau 2025). This suggests some success in job creation. On the investment front, India's global ranking as a destination for foreign direct investment improved to 15th in 2024, according to the UNCTAD World Investment Report. India also emerged as the leading recipient of greenfield investment in the digital economy among Global South countries between 2020 and 2024.



Source: India Briefing

Despite all these positive changes, the structure of India's exports raises serious concerns. Data shows that the share of labour-intensive sectors in total exports has declined from 32% to 25% in 2015 to 18% in 2024 (Observer Research Foundation 2025). These include sectors like textiles, apparel, leather and footwear. Most of the producers in these industries are MSMEs that provide employment to a large number of semi-skilled people. India's huge manpower availability makes these industries particularly important. We should be utilising our natural endowments properly to earn more export revenue. However, India has been unable to capitalize on this potential so far.

Several factors explain this underperformance. Complex labour regulations, high compliance costs, inadequate infrastructure, and logistical inefficiencies reduce competitiveness. Additionally, insufficient investment in skill development and human capital limits increase in productivity. While capital-intensive sectors have benefited more from PLI incentives, labour-intensive sectors have not received comparable support. If Atmanirbhar Bharat is to be inclusive, policy attention must shift towards industries that can generate mass employment rather than focusing solely on capital intensive manufacturing. To deal with the poor performance of labour-intensive exports from India, the Government needs to simplify compliance to the labour laws and tackle the inadequate infrastructure. They must focus on skilling people and improving the quality of human capital.

Another dimension that we must analyse is the management of capital flows and exchange rate. When India adopted the LPG policy in 1991, we also removed controls on capital flows. However, this drives up the price of the domestic currency due to increased demand by foreign investors. The result is an appreciation of the exchange rate, due to which our exports lose competitiveness in the world market. This is popularly termed as the “Dutch Disease”-when growth in one sector of the economy has a detrimental impact on another aspect. Dutch disease refers to the economic problems that arise when a country's currency strengthens sharply, often due to a resource boom, making other export sectors less competitive and weakening long-term growth. India must learn from past mistakes and should manage the capital inflows carefully so as to not hamper the competitiveness of Indian exporters.

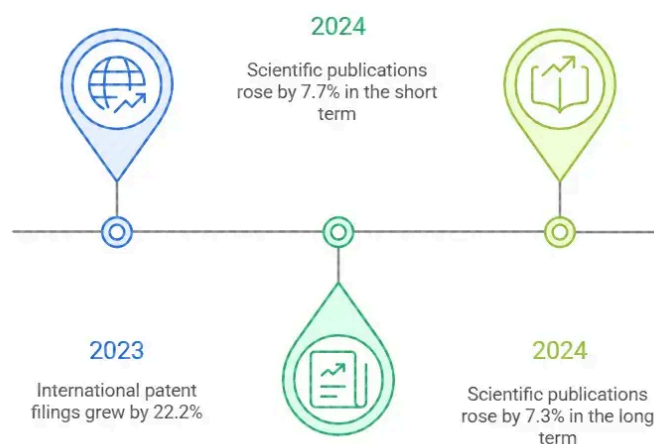
After 5 years of “Atmanirbhar Bharat”, India currently has a little over 3% of the global manufacturing share. We significantly trail behind China-with approximately 28%. This is an indicator of the fact that we have not come close to achieving our targets yet. It also highlights the scale of the challenge that lies before us. Innovation indicators further underscore structural weaknesses. We rank 39th on the Global Innovation Index 2024, having spent only 0.65% of our GDP on research and development. Research is an important pre-requisite for self-reliance as we must ensure that we are able to develop advanced technologies on our own. We have made some progress as our scientific publications and patent filings have grown in the last few years. However, in terms of the quality of research and number of citations we still lag behind. This suggests a below-average quality of research and development.

Economists like Adam Smith have established a relationship between research and economic growth. Most contemporary economists have also attributed the sustained growth in developed nations to their intensive research and development activities. In India, the major roadblock to innovative research is the way the funds are allocated (Muthukumaraswamy 2023). The current system of allocating public funds for R&D favors low-risk, low-return incremental research that have a lower risk of failure. This risk-averse mindset behind allocating funds severely hampers real, path-breaking innovation. We must account for the risks involved in innovative research projects and allocate sufficient funds to encourage researchers to continue working on them.

R&D is critical in order to ensure that our products remain competitive internationally, and we are able to develop new technologies and products consistently. Furthermore, we need local solutions to

deal with our unique problems for which we cannot afford to rely on foreign ideas and technologies. We need to undertake applied research that is focused on areas of national importance like poverty, health, education and infrastructure. Without substantial investment in R&D and higher education, self-reliance risks becoming a slogan rather than a sustainable strategy.

India's Rising Innovation and Research Output



Source: SSRNA

On 15th August, 2025, Prime Minister Narendra Modi announced that it is imperative for Bharat to be Atmanirbhar in the field of energy as well (Press Information Bureau 2025). This entails constructing new dams for clean energy production. We are investing thousands of crores of rupees under Mission Green Hydrogen. We are also taking major initiatives in nuclear energy with a resolve to increase our nuclear energy capacity tenfold by 2047. The Government aims to lay the foundation for an “Atmanirbhar Urja” sector - one where every solar module, wind turbine, and green hydrogen molecule comes from Indian soil, and powers Indian homes and industries. There has been some progress on this front as India now ranks 4th globally in Renewable Energy Installed Capacity, 3rd in solar and 4th in wind energy. We now have the world’s fastest-growing renewable energy program.

To conclude, India must ensure that its critical sectors are resilient and not vulnerable to supply shocks. We can purchase capital and technology from other countries with some regulations on these imports. Critical sectors must be resilient to supply shocks, while openness to trade, investment, and technology must be preserved where it enhances efficiency and growth. Self reliance requires the

Government to facilitate production and employment creation in different sectors. They must boost manufacturing activities and the ease of doing business in our country.

Atmanirbhar Bharat must be designed not to create protective boundaries, but instead to push India to contribute to global growth. Ultimately, self-reliance means having the capacity to choose-when to produce domestically, when to import, and when to collaborate globally. Atmanirbhar Bharat can complement global integration rather than contradict it, enabling India to move forward with the world while safeguarding its economic sovereignty.

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